‘An Analytical Study On Market Potential Of Mediclaim Insurance In Solapur City’

1. Introduction:

Health insurance in India is a growing segment of India's economy. In 2011, 3.9% of India's gross domestic product was spent in the health sector. According to the World Health Organization (WHO), this is among the lowest of the BRICS (Brazil, Russia, India, China, South Africa) economies. Policies are available that offer both individual and family cover. Out of this 3.9%, health insurance accounts for 5-10% of expenditure, employers account for around 9% while personal expenditure amounts to an astounding 82%.

Launched in 1986, the health insurance industry has grown significantly mainly due to liberalization of economy and general awareness. According to the World Bank, by 2010, more than 25% of India’s population had access to some form of health insurance. There are standalone health insurers along with government sponsored health insurance providers. Until recently, to improve the awareness and reduce the procrastination for buying health insurance, the General Insurance Corporation of India and the Insurance Regulatory and Development Authority had launched an awareness campaign for all segments of the population.

Health insurance in India typically pays for only inpatient hospitalization and for treatment at hospitals in India. Outpatient services were not payable under health policies in India. The first health policies in India were **Mediclaim Policies**. In 2000 government of India liberalized insurance and allowed private players into the insurance sector. The advent of private insurers in India saw the introduction of

many innovative products like family floater plans, top-up plans, critical illness plans, hospital cash and top up policies.

Broadly we can divide the health insurance plans in India today can be classified into three categories:

- **Hospitalization**

  Hospitalization plans are indemnity plans that pay cost of hospitalization and medical costs of the insured subject to the sum insured. The sum insured can be applied on a per member basis in case of individual health policies or on a floater basis in case of family floater policies.

- **Hospital daily cash benefit plans**:

  Daily cash benefits is a defined benefit policy that pays a defined sum of money for every day of hospitalization. The payments for a defined number of days in the policy year and may be subject to a deductible of few days.

- **Critical illness plans**:

  These are benefit based policies which pay a lumpsum (fixed) benefit amount on diagnosis of covered critical illness and medical procedures. These illness are generally specific and high severity and low frequency in nature that cost high when compared to day to day medical/treatment need. e.g. heart attack, cancer, stroke etc. Now some insurers have come up with option of staggered payment of claims in combination to upfront lumpsum payment.

Concept of Mediclaim

Mediclaim is an insurance product that reimburses the expenses you incur in the event of hospitalization or domiciliary care. It can either reimburse your expenses when you submit relevant bills, or enable you to have an entirely cashless hospitalization where your insurer will directly deal with the hospital – letting you focus on treatment and healing.

- **Premiums –** that are payable on Mediclaim policies differ between insurers but are based on certain criteria like **age of the proposer, geographical area of treatment, sum insured, term of plan,** etc.
- **Age –** of insured persons can range from 5 years to 80 years, although age criteria and range insurable varies between companies.
- **Family cover –** You can provide Mediclaim cover for your entire family with the payment of one master premium. This may also make you eligible for discounts on your premium, depending on your provider.
- **Overseas Mediclaim Policies –** A large number of insurance companies offer Mediclaim policies that cover you in India and overseas, subject to certain predetermined conditions.
- **Claims –** are administered largely through **Third Party Administrators (TPAs)** these days, but a few insurers deal with claims in-house.
- **Types –** Mediclaim policies are available in a range of types, depending on the need and the category of those to be insured. You can get **individual policies, group policies, senior citizen policies, critical illness policies** and **special maternity policies.**
- **Tax benefits –** under Section 80D are available up to Rs.15,000 on mediclaim premiums for yourself, spouse and dependent children. An additional Rs.15,000

of tax exemption is available if you insure your parents, and the amount goes up to Rs.20,000 if they are senior citizens.

Types of Mediclaim policies in India:

- **Individual Mediclaim -** where you basically insure yourself against the financial liabilities of hospitalization.
- **Family Floater -** where you can provide additional coverage for your entire family, and be tension-free in matters of hospital bills and related expenses.
- **Group Mediclaim -** where an employer or person in charge of a group of people wishes to add to their remuneration the benefits of cashless hospitalization and / or reimbursement on hospitalization expenses.
- **Overseas Mediclaim -** where all your hospitalization and related expenses are taken care of during your stay (or travel) outside India.
- **Low-cost Mediclaim -** is for the underprivileged masses. Employers of small-scale and medium-scale industries insure their employees and their dependants for as low as Rs. 1,600 per annum.
- **Senior Citizen Mediclaim -** while this type of mediclaim requires testing and/or special provisions, it's a huge step forward for the industry as they can safely insure senior citizens at competitive premium rates.
- **Critical Illness Mediclaim -** among the most expensive treatments in the field today are those incurred on treatment of critical illnesses. Critical Illness Mediclaim policies usually offer a higher claimable amount, and include some of (but are not strictly limited to) the following:
    1. Aorta graft surgery.
    2. Cancer, Coronary artery bypass surgery.

3. First heart attack, Kidney failure,
4. Major organ transplant, Multiple sclerosis, Paralysis, Stroke.
5. Primary pulmonary arterial hypertension.

What does a Mediclaim policy cover?

Mediclaim policies offer excellent benefits and coverage for a wide range of expenses, depending on your insurance provider. Mediclaim policies in general offer the following benefits and cover:

- **Hospital charges –** all direct charges that you incur as a result of hospitalization like OT charges, medicines, blood, oxygen, diagnostic material, x-rays, chemotherapy, radiotherapy, pacemakers, donor expenses during organ transplants, etc.
- **Day-care treatment –** expenses towards specified technologically-advanced treatments where 24-hour hospitalization is not needed.
- **Pre and post-hospitalization expenses –** for a period of 30 days before and up to 60 days after hospitalization and may include assistance in availing emergency services like ambulance, etc.
- **Hospital accommodation charges –** in regular wards or in ICUs are fully reimbursed, or taken care of with the cashless hospitalization facility.
- **Medical professional's fees –** like doctor's fees, nurse's fees, anaesthetist's charges, etc.
- **Investigation charges.**

What does Mediclaim Policies not Cover?

Different providers have different exclusions in their policies, some may not even consider the standard exclusions and provide benefits anyway. Nevertheless, a standard Mediclaim policy would not cover you for treatment or expenses arising from or attributable to the following:

- All pre-existing diseases, medical conditions and injuries that are present before the policy comes into force; All diseases and medical conditions (unless otherwise specified in your policy document) that arise within the first 30 days of your policy commencement date.
- Injuries or medical conditions caused by war (whether it be declared or not), hostile foreign invasion or attack, war-like operations, etc.
- Plastic surgery and circumcision (which is not necessary as treatment for illness or accident), cosmetic or aesthetic treatments of any kind.
- Cost of spectacles, hearing aids, contact lenses, etc.
- Dental treatment and surgery whether it is corrective, cosmetic or aesthetic – unless it arises due to an accident and requires hospitalization.
- Intentional self-injury and attempted suicide, Alcohol / drug abuse.
- STDs like HIV / AIDS, human T cell lymphotropic virus type III (HTLB III), lymphadenopathy associated virus (LAV) or their variations.
- X-rays, laboratory tests and other expenses incurred not in direct relation to the treatment.
- Injury or disease arising from nuclear radiation or exposure to nuclear weapons and materials.
- Pregnancy, childbirth, miscarriage, abortions, caesarean section, etc. or any complication arising from these; Nautropathy related treatments.

2. About Solapur :

Solapur is a city located in the south-eastern region of Indian state of Maharashtra. Solapur is located on major road and rail routes between Mumbai and Hyderabad, with a branch line to the cities of Bijapur (also known as Bijapur) and Gadag in the neighboring state of Karnataka. It is classified as a 2 Tier and B-2 class city by House Rent Allowance (HRA) classification by the Government of India. It is 49th-most-populous city in India and 43rd-largest urban agglomeration.

Solapur has speakers of Marathi, Kannada, Telugu, Tamil and Hindi languages with multilingual features. Solapur is the fourth-largest district in Maharashtra in terms of land area, and seventh largest in terms of population and 43rd largest populated district in India. The district shares its borders with the south Indian state of Karnataka and Hyderabad city.

Solapur district has the highest number of sugar factories (total 33) in India. Solapur leads Maharashtra in production of Indian cigarettes or Beedi. Solapuri Chadars and towels are famous in India and also at a global level, however there has been a significant decline in their exports due to quality reasons. Solapuri chadars are the famous and first product in Maharashtra to get a Geographical Indication tag. It has been a leading center for cotton mills and power looms in Maharashtra. Solapur had the world's second-largest and Asia's largest spinning mill. The National Research Centre on Pomegranate (NRCP) of India is located in Solapur and also the pomegranate farming is done on a large scale in Solapur District. The Science Centre in Kegaon (Solapur) is the third largest and prominent scientific association in Maharashtra. The Raichur- Solapur Power Transmission line of 765 KV power capacity suffices the power grid accessing need of the southern states of Karanataka and Andhra Pradesh. The first

waste-to-energy electricity plant in Maharashtra is situated in Solapur. In 1992, the Solapur Municipal Corporation extended its area up to 300 square KMs (120 sq mi) by merging its suburbs.

2.1 Economy

Solapur is located at an important junction of the North-south railway line which provides good transportation infrastructure for trade and industry. There are a number of medium and small scale and medium industries found in the district, and it is one of the prime centers of the handloom and power-loom industry, cotton mills and the beedi industry. Solapur is well known for the bed sheets produced here, and has a reputation for the same. Textiles are an important aspect of the economy. In the agricultural field, the district has a well established market in oilseeds. The major crops grown in the district include jowar, wheat and sugarcane. Also, nowadays Solapur is developing with a rapid pace having foreign outlets like Dominos, McDonald's and upcoming mall like Oasis Mall.

2.2 Environment

Solapur is one of the most-polluted cities in Maharashtra due to the effluent chemicals produced as the waste products from the textile industries in its region. As many vehicles in the city utilize diesel fuel, it also generates tremendous smog emitted by sugar factories and heavy textiles industries in the city's suburb. Various efforts are being made by Maharashtra Pollution Control Board (MPCB) to reduce air pollution and its environmental effects.[80] The city has launched a GO-GREEN scheme by planting trees in the city and developing greenery with the help of various eco-friendly people in the city.

3. Research Methodology:

Research Methodology will be adopted in the present study to find level of awareness about medical insurance policies and criteria considered while purchase of medical insurance policies.

This study is explorative in nature, in the sense that it focuses basically on exploring level of awareness, market potential and criteria adopted to purchase medical insurance policies. Research methodology consists of data collection methods, sources of data, Sampling Techniques, Statistical tools and techniques to analyze the data, scope study and limitations of the study.

3.1 Statement of Research Problem:

Whether criteria considered for purchase of medical insurance policies is influenced by demographic variables of insured people?

3.2 Objectives of the Study:

The study aim at achieving the following objectives:

- To identify and understand various types of medical insurance policies available in the market.
- To study level of awareness of medical insurance of people in Solapur City.
- To study the factors influenced to purchase medical insurance policies.
- To study criterions considered by insured people for purchasing medical insurance policies.
- To study level of satisfaction of policy holders in respect of various parameters.
- To analyze the relationship between criteria considered by insured people for purchasing medical insurance policies and their demographic variables.

3.3 Justification of Objectives:

- The private sector is the dominant healthcare provider in India. Expenditure on healthcare is very low - about 4% of Gross Domestic Product. Due to industrialization, all types of pollution levels has increased. The cost of medical treatment has gone up.
- Awareness of people regarding medical insurance has increased due to internet and other media.
- The study will be beneficial to people who are looking for mediclaim policy and healthcare companies. For these companies there is a large untapped market is available in Solapur City.

3.4 Hypothesis:

Following hypothesis will be tested to justify mentioned objectives of the proposed research.

1. Purchase of medical insurance policy is independent of demographic factors (gender, age, size of family, educational qualification, occupation, income, etc.) of people of Solapur City.
2. Existing customers are satisfied with their medical policies
3. Existing customers need more features (such as extending the scope for OPD patients, speedy disposal of claims, uniform policy for hospitalization i.e. expanding network of approved hospitals in almost all parts countrywide, proper & justified amount of premium as compared to the amount of policy, etc.) in existing medical policies.

4. Significance of the Study:

Proposed research is important from the following point of view.

- Proposed study will help to understand market potential of medical insurance policies in Solapur city.
- The study will help to understand criteria considered most while purchasing medical insurance policies.
- To study also helps to understand level of satisfaction of policy-holders in respect of various parameters such as sum assured & premium, claim settlement ratio, cashless facilities, network of approved hospitals and overall service by the company.
- The study will help to identify sources of information that influence purchasing decision of medical insurance policies.

4.1 Scope of the Study:

Scope of study is limited to Solapur city municipal limits to find level of awareness and market potential for medical insurance policies. The sample of 1000 persons proportionally from each income-category from Solapur city will be studied. The present study will be exclusively depending on data collected during the period of recent two years.

5. Type of Data:

Proposed research is entirely based on primary data. Primary data will be collected to find out market potential and level of awareness & customer satisfaction and also criteria adopted to purchase medical insurance policies.

5.1 Source of Data:

Primary data will be collected through questionnaire. The questionnaire will be prepared to collect suitable relevant data to justify above mentioned objectives.

Secondary data will be collected from various books, magazines, periodicals, research papers, articles, various websites, IRDA manuals etc. to justify the study. Secondary information will be collected to have conceptual clarity about types of medical insurance policies, terms & conditions of medical insurance policies, etc.

5.2 Sample Size :

A random sample of 1000 persons from Solapur City will be selected. Questionnaire will be firmed up after incorporating suggestions and improvements from various academicians and professionals in the field of insurance business.

6 Limitations of the Study:

Proposed research is bounded with following limitations.

1. Study is limited to Solapur city.
2. Research finding are based on the data analysis collected from the selected samples of Solapur.
3. It is presumed that, the information given by respondents is true and correct.
4. Sampling units are residents of Solapur and having regular income.

7. Statistical Tools and Techniques:

Suitable statistical tools and techniques will be used to present and analyze the data. Bar chart, Pie chart, line charts will be used to present the data and simple statistical tools and techniques such as mean, percentage, regression and testing of hypothesis (t-test, and Chi-Square test) will be used to analyze the data.

8. Review of Literature:

This section will focus on some of the present studies available on Consumption pattern, investment preference and factors influencing investment decision.

For this study, various reference books, Ph.D. Theses from various universities, research papers from national and inter-national journals, reports of various committees & organizations, will be reviewed.

9. Tentative Chapter Scheme:

Chapter- I. Introduction.
Chapter-II Research Methodology

Chapter- III. Review of Literature

Chapter- IV. Profile of Mediclaim Insurance & Conceptual framework.

Chapter- V. Empirical Analysis

Chapter- VI. Finding, Conclusion and Suggestions.

10. References:

(A) **Reference books**

1. Life Insurance – Modern Trends & Techniques (2011), by B.L.Saini, Shree Niwas Publications, Jaipur
2. Principles and Practice of Insurance (2007), by Dr.P.Periasamy, Himalaya Publishing House, Hyderabad.
3. Risk Management & Insurance, Second Edition (2004), by Scott E. Harrington, Tata McGraw Hill Education Private Limited, New Delhi.
4. Insurance Principles & Practice (2012), by M.N.Mishra & S.B.Mishra, S.Chand & Co. Ltd., New Delhi.

(B) **Journals**

1. IRDA Journal

(C) **Websites / Internet links :**

1. https://www.bankbazaar.com/insurance/mediclaim-policy.html
2. http://www.hdfclife.com/insurance-knowledge-centre/secure-your-health/difference-health-mediclaim-plan/
3. https://www.irdai.gov.in/ADMINCMS/cms/
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